MULTIMEDIA **UNIVERSITY**

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FINAL EXAMINATION

TRIMESTER 1, 2021 / 2022

DEC5614 –INTRODUCTORY MICROECONOMICS
(Diploma in Accounting)

19 JANUARY 2022
9:00 a.m. – 11:00 a.m.
(2 Hours)

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INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 2 sections.

2. Attempt **ALL** questions in Section A and Section B. The distribution of the marks for each question is given.

SECTION A: Multiple Choice Questions (10 Marks)

1. _____ studies the functioning of individual industries and the behavior of individual decision-making units whereas _____ studies the economy as a whole.
    A. Macroeconomics; microeconomics
    B. Macroeconomics; standard of living
    C. Microeconomics; macroeconomics
    D. Microeconomics; standard of living

2. _____ is a diagram that shows how resources, money, goods and services flow between households and firms through resources and product markets.
    A. Money supply
    B. Fiscal policy
    C. Business cycle
    D. Circular flow of diagram

3. We make _____ because we face _____.
    A. choices; limited wants
    B. choices; scarcity
    C. scarcity; unlimited wants
    D. scarcity; limited wants

4. When the price of books increases, people will buy less books. This is an example of _____.
    A. choices
    B. scarcity
    C. positive statement
    D. normative statement

5. A preference map is a set of _____.
    A. budget lines
    B. demand curves
    C. indifference curves
    D. supply curves

6. Which of the following is a similarity between monopoly firms and monopolistic competitive firms?
    A. Freedom to enter and exit the market.
    B. There are limited sellers in the market.
    C. Firms are price taker.
    D. The demand curve is downward sloping.

7. Which of the following is NOT one of the characteristics of monopolistic competitive market?
    A. There are large numbers of firms.
    B. Firms competing through product differentiation.
    C. Firms has freedom to entry and exit.
    D. Firms are interdependent.

Continued…

8. A(n) _____ is a market where there are _____.
   A. oligopoly; no sellers
   B. oligopoly; few sellers
   C. perfect competition; no sellers
   D. perfect competition; two seller

9. Which of the following best describe an oligopoly firm?
   A. Multimedia University
   B. Maxis
   C. Nestle
   D. Walls Ice Cream

10. Which of the following does NOT describes an oligopoly market?
    A. It faces a kinked demand curve.
    B. It has influence over the market price.
    C. It maximises profit at the point where the marginal revenue equals marginal cost.
    D. It is independent of others' actions.

(Total: 10 marks)

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SECTION B: Structured Questions (90 Marks)

QUESTION 1
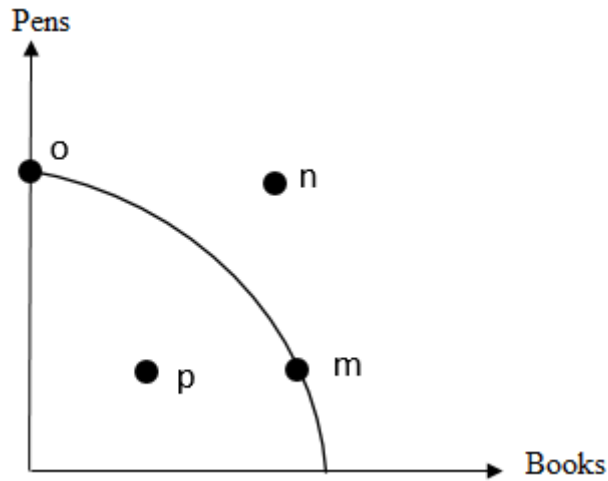
Figure 1

(a) Based on Figure 1 Production Possibilities Frontier, state which point is
   i.   Attainable   (1 mark)
   ii. Unattainable   (1 mark)
   iii. Inefficient   (1 mark)
   iv. Efficient   (1 mark)

(b) Please state if the following statement is a "microeconomics" or "macroeconomics" scope.

   i.   Toshiba had increased the production of a new model smart TV since November 2021.   (1 mark)

   ii. Vietnam's unemployment rate has been increasing since past 10 months.   (1 mark)

(c) Give **TWO (2)** examples of scarcity that you had faced last week.   (4 marks)

(Total: 10 marks)

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QUESTION 2

Table 2 shows the demand and supply schedules for nursing home services in Melaka.

Price (RM per month)	Quantity demanded	Quantity supplied
500	200	110
1,000	175	130
1,500	150	150
2,000	125	170
2,500	100	190

Table 2

(a) Based on Table 2,

    i.   Plot demand and supply curve in a same diagram.   (10 marks)

    ii.   In your answer for i), indicates equilibrium price and equilibrium quantity.
                               (2 marks)

    iii.   Describe what happen to the market of nursing home services at the price of RM2500 per month.   (2 marks)

    iv.   Describe what happen to the market of nursing home services at the price of RM500 per month.   (2 marks)

(b) "Malaysia will become a country with an aging population by 2030, where 15 per cent of Malaysians will be 60 and above." Assumed ceteris paribus, how would this scenario affect the nursing home market? Explain your answer.   (4 marks)

(Total: 20 marks)

QUESTION 3

(a) Zim Café is running a New Year promotion which all set meals are discounted at 20 per cent. This resulted the quantity demanded of set meals increase by 55 per cent. Calculate the price elasticity demand of set meals and describe it.
                                 (4 marks)

(b) Aiman's income increased from RM3500 to RM4000 per month, he increased his demand for travelling by 20 per cent and decreased his demand for foods delivery orders by 15 per cent. Calculate Aiman's income elasticity of demand for:
    i.   Travelling   (3 marks)
    ii. Foods delivery orders   (3 marks)

(Total: 10 marks)

Continued…

QUESTION 4

Vegetables	Fruits
8	0
4	6
0	12

Table 3

(a) Table 3 shows the consumption of vegetables and fruits of Dinesh's family in a week. The price of vegetable is RM15 per kilogram and the price of fruits is RM10 per kilogram. Based on the information,

    i.   Calculate Dinesh's family weekly income.   (2 marks)

    ii.   Draw the budget line, label it as BL.
          NOTE: Plot vegetable at horizontal axis.   (5 marks)

    iii.   The price of vegetable reduced to RM5 per kilogram, draw a new budget line, label it as BL_1.
          NOTE: Plot Vegetable at horizontal axis.   (5 marks)

    iv.   Dinesh's family weekly income has increased to RM360. With the original pricing of vegetable (RM15 per kilogram) and fruits (RM10 per kilogram), draw the new budget line, label it as BL_2.
          NOTE: Plot vegetable at horizontal axis.   (5 marks)

(b) Define law of diminishing marginal utility with an example.   (3 marks)

(Total: 20 marks)

Continued…

QUESTION 5

No. of Workers (Per day)	Total Output (Per day)	RM			
		Total Cost (TC)	Average Total Cost (ATC)	Average Fixed Cost (AFC)	Average Variable Cost (AVC)
0	0	100	-	-	-
1	50				
2	120				
3	180				
4	260				
5	300				

Table 4

Mimi started her new business selling handmade shoes at Bukit Beruang. The rental of the stall is RM100 per day and she is hiring part timer worker RM50 per day for each part timer. Table 4 shows the daily output of her handmade shoes. Copy Table 4 in your answer paper, fill up the value for total cost, average total cost, average fixed cost and average variable cost at each level of output. NOTE: All answer should be in two decimal points.

(Total: 10 marks)

QUESTION 6

(a) Explain **FOUR (4)** characteristics of perfect competition market. (8 marks)

(b) Explain why perfect competition firm is a price taker. (4 marks)

(c) Explain **TWO (2)** key features of monopoly market. (4 marks)

(d) Give **TWO (2)** examples of price discrimination. (4 marks)

(Total: 20 marks)

End of Paper